

## **Monitoring and evaluation of equity-based programmes, application of guidelines on remuneration as well as the current remuneration structure and levels of remuneration in the Bank**

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### **General**

The Board of Directors of SEB has a Remuneration and Human Resources Committee (RemCo) that continuously monitors and evaluates, *inter alia*, the current remuneration structure and levels of remuneration in the Bank. RemCo also monitors and evaluates programmes for equity-based remuneration as well as the application of the guidelines approved at the Annual General Meeting for salary and other remuneration to the President and members of the Group Executive Committee (GEC).

RemCo has in consultation with the Risk and Capital Committee (RCC) of the Board reviewed that the incentive structure created by the Bank's Remuneration Policy takes into account risk, capital and liquidity on the basis of among other things a Risk Analysis performed jointly by Group Risk, Group Compliance and Group HR.

SEB aims to attract and retain committed and competent employees who contribute to the Bank's long-term success. Employee remuneration should encourage high performance, sound and responsible behaviour and risk-taking that is aligned with SEB's values and the level of risk tolerance set by the Board of Directors. It should promote the employees' long-term commitment to creating sustainable value for customers and shareholders. Remuneration is based on experience, responsibility and performance. Performance is evaluated on the basis of financial and non-financial goals, with SEB's values as a starting point.

Remuneration shall be competitive in the markets and segments where SEB operates in order to reward high performing employees. SEB's competitors consist of both local and regional financial institutions as well as global firms in the markets on which SEB operates.

SEB's remuneration structure is based on three main components; (i) base pay, (ii) equity-based remuneration and collective profit sharing programmes, and (iii) pension and other benefits. The total remuneration reflects the complexity, responsibility and leadership skills required in each position as well as the performance of the individual employee. A minor share of the employees in SEB is eligible for individual cash-based variable remuneration where it is common market practice. The payout horizon for variable remuneration is aligned with the risk horizon.

The remuneration structure for the Group Executive Committee is based upon three main components; base pay, equity-based remuneration and pension and other benefits. These three components shall form a competitive total remuneration within the market where the Executive is active.

SEB complies with the Swedish Financial Supervisory Authority (FSA) regulations on remuneration in financial companies as well as the Swedish Corporate Governance Code and

Swedish and international regulations and guidelines in relevant parts. According to the regulations, the Bank shall identify categories of staff whose professional activities have a material impact on the SEB Group's risk profile (Identified staff). The following categories of staff have been identified to have a material impact on the SEB Group's risk profile:

1. Members of GEC, other Senior management and e.g. Heads of material business areas,
2. Risk takers,
3. Responsible persons in control functions and Heads and members of certain support functions and committees,
4. Employees receiving total remuneration that takes them into the same remuneration bracket as employees identified in the categories above, whose professional activities have a material impact on the Group's risk profile.

For the employees identified, at least 40 to 60 per cent of the variable remuneration shall be deferred for at least three to five years if the annual variable remuneration is SEK 100,000 or more. Before pay-out the deferred amount will be subject to risk adjustment. For identified employees the maximum level of variable remuneration may not exceed 100 per cent of the fixed remuneration.

Employees within the Internal Audit, CRO and Compliance functions (control functions) are compensated in a manner that is independent of the business areas that they oversee, commensurate with their key role in the organisation and based on objectives linked to their functions, meaning that they do not normally have any individual performance based variable remuneration.

### **Equity-based remuneration**

Equity-based remuneration is a means to attract and retain staff with key competences in SEB. It is also an incentive for the employees to become shareholders of SEB, which builds and strengthens long-term commitment in the interests of the shareholders. Furthermore, regulatory requirements for financial institutions demand that variable remuneration to a large extent is paid out in equity or equity-related instruments. The final outcome is subject to risk adjustment.

Currently, five different types of long-term equity programmes are on-going:

- The Share Savings Programme 2012,
- The Performance Share Programmes 2009-2010,
- The Share Matching Programmes 2012-2014,
- The Share Deferral Programmes 2012-2015, and
- The All Employee Programmes 2013-2015, replacing the Share Savings Programmes as from 2013.

Participation in the Share Savings Programmes, Share Matching Programmes and Share Deferral Programmes requires own investment. All programmes except for the Share Savings Programmes are performance based with pre-determined quantitative performance criteria.

The programmes allow for risk adjustment for current as well as future risks and final outcome may therefore be cancelled partly or entirely in accordance with regulations, among other things taking the Bank's result and capital and liquidity required in the business into account. The All Employee Programme is a programme for all employees in most of the countries where SEB operates where 50 per cent of the outcome is paid in cash and 50 per cent is deferred for three years and linked with the SEB A-shares.

Further information on the long-term equity programmes such as outcome, participation ratio, and number of issued and outstanding instruments etc. are found in the Annual Report 2015.

### **Evaluation of programmes for equity-based remuneration**

The equity-based programmes are evaluated on a continuous basis throughout the year and the expected outcome is reported and discussed. RemCo also monitors the employees' participation in the programmes.

The Board of Director's view is that the equity-based programmes fulfil the function to attract and in the long run retain the most qualified and committed employees. Furthermore, the programmes strengthen long-term commitment in the interests of the shareholders.

Based on the evaluation and discussions with major shareholders in SEB, it is proposed that the Annual General Meeting resolves on two long-term equity programmes for 2016 with the same structure as previous year:

- an All Employee Programme for all employees in most of the countries where SEB operates, and
- a Share Deferral Programme for the Group Executive Committee, certain other senior managers and a number of other key employees.

The complete proposal for Long-term Equity Programmes for 2016 can be found on [www.sebgroup.com](http://www.sebgroup.com).

### **Evaluation of guidelines**

The guidelines for salary and other remuneration to the President and members of the Group Executive Committee are evaluated continuously throughout the year. In order to carry out the evaluation, RemCo collects information from the Head of Group Human Resources and the external auditors, and regarding remuneration to the Group Executive Committee also from the President. The internal and external information facilitates to ensure that the remuneration in SEB is in line with market conditions and competitive. Further, comparative benchmarks of relevant industries and markets are carried out annually in order to determine what constitutes a total level of remuneration in line with market conditions and in order to evaluate current remuneration levels. The results of such benchmarks form an important component when determining the total remuneration for the Group Executive Committee and other employees.

The external auditors have given a statement to the Board of Directors on that SEB has applied the guidelines for salary and other remuneration for the President and members of the Group Executive Committee adopted by the Annual General Meeting 2015.

**Remuneration structure and levels of remuneration**

The Board of Director's view is that the remuneration for the President and other members of the Group Executive Committee strikes an appropriate balance between motivating the Executives and achieving a long-term, well-balanced and competitive remuneration.

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**Skandinaviska Enskilda Banken AB (publ)**

THE BOARD OF DIRECTORS